

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

Applicant:	The Broad Collection (Borrower)	Amount Requested:	Not to exceed \$150,000,000
Applicant Description:	Non-profit public benefit corporation formed for the purpose of building, owning and operating a museum of contemporary art.	Date of Board Meeting:	May 24, 2011
		Resolution Number:	11-09
		Type of Bonds:	New Issue
Project Site:	221 S. Grand Avenue, Los Angeles, CA 90012,to be located on the block bounded by Grand Avenue, Second Street, Hope Street and General Thaddeus Kosciuszko Way	Prepared by: Tara Dunn	
Project Description:	The project (Project) consists of the construction of, and acquisition of art for, a 114,000 square foot art museum, and facilities and infrastructure necessary or desirable in connection with the art museum, including a portion of a three level public parking garage, a public plaza and certain streetscape improvements along Grand Avenue.		
Uses of Bond Proceeds:	Bond proceeds will be used to pay the costs of the Project, capitalized interest and issuance costs of the bonds.		
Public Benefits:	The Project will provide an art museum housing a significant collection of post-modern art that will be made available to the public, and which will create direct and indirect economic development benefits as a result of visitor attraction to the community in which the museum will be located. In addition to creating approximately 1,340 construction jobs, the Project will create 40 to 50 permanent jobs at the museum.		
Financing Structure:			
Type of Issue:	Publicly-offered fixed-rate securities in minimum denominations of \$5,000 or any integral multiple thereof.		
Tax Status:	Tax-exempt 501(c)(3) bonds.		
Term:	10 years and six months.		
Credit Enhancement:	None.		
Credit Rating:	Expected rating is at least A3 from Moody's Investors Service or A- from Standard & Poor's based on the financial strength of the pledge of The Eli and Edythe Broad Foundation to the Borrower.		
Total Est. Sources of Funds:		Total Est. Uses of Funds:	
Bond Par Amount	\$150,000,000	Museum Project Cost	\$113,725,000
Community Redevelopment Agency of the City of Los Angeles (Garage Construction)	22,000,000	Parking Garage	46,500,000
		Capitalized Interest	10,500,000
		Issuance Costs	1,275,000
TOTAL SOURCES	\$172,000,000	TOTAL USES	\$172,000,000
Financing Team:			
Bond and Disclosure Counsel:	Nixon Peabody LLP		
Underwriter:	Morgan Stanley		
Underwriter's Counsel:	O'Melveny & Myers LLP		
Trustee:	The Bank of New York Mellon Trust Company, N.A.		
Staff Recommendation:			
Staff recommends approval of Resolution 11-09 for an amount not to exceed \$150,000,000 for The Broad Collection.			

BACKGROUND AND HISTORY

The Broad Collection is a California nonprofit public benefit corporation formed in May 2010 for the purpose of building, owning and operating a museum of contemporary art. The Borrower has entered into an agreement with The Broad Art Foundation, a foundation established by Eli and Edythe Broad in 1984 to foster public appreciation of contemporary art (Art Foundation), which provides that the Borrower will house and showcase the permanent collection of the Art Foundation. The Art Foundation's permanent collection consists of approximately 1,500 contemporary art works by nearly 150 artists, including Picasso, Miro, Calder, Andy Warhol, Jasper Johns and Roy Lichtenstein.

The museum component of the Project will be located on an airspace parcel which Borrower represents will be subleased to the Borrower for a term of 99 years (Ground Sublease) by the Los Angeles Grand Avenue Authority (Authority), a joint powers authority formed by the County of Los Angeles and the Community Redevelopment Agency of the City of Los Angeles (CRA/LA). The airspace parcel will first be leased to the Authority by the CRA/LA. The Ground Sublease rent to be paid by the Borrower will be a nominal prepaid amount plus a small portion of certain revenues generated by the museum Project component after its completion. The Borrower will own all improvements located on the Ground Sublease property.

The Project is part of a larger development project called the Grand Avenue Project, a \$3 billion, multi-year redevelopment project designed to transform the civic and cultural districts of downtown City of Los Angeles, and is primarily being constructed by the Grand Avenue L.A., LLC.

There are two primary local government agreements governing the development of the Project by the Borrower. The first agreement is the Disposition and Development Agreement (DDA) by and among the Authority, Grand Avenue L.A., LLC, and the Borrower, as that agreement has been amended from time to time. An additional amendment to the DDA is pending approvals and execution by all parties for the purpose of expanding the Borrower's authority to develop facilities related to the museum component of the Project (DDA Second Amendment). The second agreement is the Parking Facility and Museum Development Agreement (Parking Development Agreement) between the CRA/LA and the Borrower, as it has been amended from time to time.

Pursuant to the DDA, as it is anticipated to be amended, and the Parking Development Agreement, the Borrower will be obligated to construct a public parking garage, a public pedestrian plaza, and sidewalk improvements in connection with the construction of the museum facility Project component. Under the Parking Development Agreement, the Borrower has already received \$8 million and expects to receive an additional \$14 million in the next two weeks from the CRA/LA to assist with the construction of the public parking garage. The resolution being presented to the Board today makes the receipt of these funds a condition to the sale of the I-Bank bonds.. Upon completion of the public parking garage, it is anticipated that it will be sold to the CRA/LA, and pursuant to that sales agreement the Borrower will receive reimbursements of up to \$30 million of net tax increment from CRA/LA over the subsequent 10 years.

The Borrower is governed by a five member Board of Directors, below is a list the current members.

Board of Directors – The Broad Collection	
Eli Broad	President
Cindy Quane	Treasurer
Deborah Kanter	Secretary
Jay Wintrob	Member
Vacant	Member

PROJECT DESCRIPTION

The Project involves financing and refinancing the design, development, construction, installation, furnishing and equipping of, and the acquisition of art for, a new art museum facility and facilities and infrastructure necessary and desirable in connection with the art museum, all in downtown Los Angeles, California. The Project facilities will consist of a three-story museum of approximately 114,000 square feet, a pedestrian plaza adjacent to the museum, a portion of a three-level 370-space public parking garage that will physically support the museum and the pedestrian plaza, and streetscape improvements (see Appendix A – Project Pictures).

Because the Borrower anticipates selling the entire public parking garage to the CRA/LA, and it is anticipated that the CRA/LA will own and operate the parking garage, bond proceeds to be loaned to the Borrower for the purpose of developing the parking garage Project component will be \$24.5 million, which is the amount the Borrower currently estimates to be (a) the anticipated costs of developing a foundation for the museum facility and (b) the anticipated costs of developing those portions of the parking garage that will remain within the control of or be available for use by the Borrower following the sale to CRA/LA which will include portions available for parking for museum visitors and employees, a museum loading dock, and security offices.

The public pedestrian plaza and the streetscape improvements are being constructed on real property interests of the CRA/LA and will be owned and operated by the CRA/LA. The Borrower has represented that the streetscape improvements are necessary to meet the design guidelines of the City of Los Angeles (City) for the Project. The Borrower has also represented that the pedestrian plaza (a) will be used as ingress and egress to and from the museum facility Project component, (b) is, in significant part, necessary to meet the set-back requirement and other design guidelines of the City relating to the Project, and (c) will provide a complementary outdoor space available for the display of art owned by the Borrower or controlled by the Borrower pursuant to the agreement with the Art Foundation.

Construction of the parking facility Project component commenced earlier this month. Completion of the entire Project is expected during the summer of 2013. The Borrower does not currently have sufficient legal site control to commence construction of the museum component of the Project until the DDA Second Amendment and the Ground Sublease are fully executed. The Borrower represents that these agreements will be in place prior to the issuance of the I-Bank bonds, which condition is included in the resolution being presented to the Board today.

FINANCING STRUCTURE

The Broad Collection is requesting approval for the issuance of bonds in an amount not to exceed \$150,000,000 (Bonds). It is expected that the Bonds will carry a rating of at least A3 from Moody's Investors Service (Moody's) or A- from Standard & Poor's (S&P). The Borrower has represented that its revenue will consist of admission fees, concessions and amounts received by pledgors and other donors, and that it expects to receive a pledge from the Eli and Edythe Broad Foundation, a California charitable trust, in the amount sufficient to pay principal and interest on the Bonds. The resolution being presented to the Board today is conditioned on the Borrower's receipt of this pledge.

In no event shall the Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the Bonds. The Bonds shall constitute a special obligation of the I-Bank, payable solely from revenues or other sources provided for in the loan agreement between the I-Bank and the Borrower.

PUBLIC BENEFITS

The Project consists of facilities that will be used to provide an art museum housing a significant collection of postwar and contemporary art that will be made available to the public, and which will create direct and indirect economic development benefits as a result of visitor attraction to the community in which the museum will be located. In addition, there will be economic benefits from the jobs created as a result of the construction and post-construction operation of the Project. The Project is expected to create approximately 1,340 construction jobs, as well as approximately 40 to 50 permanent positions at the museum.

The Project is part of the Grand Avenue Project, a \$3 billion, multi-year project to transform the civic and cultural districts of downtown Los Angeles. According to the Borrower, the purpose of the Project is to inspire a larger audience for contemporary art through programming of the highest quality; provide the public with an engaging and distinctive perspective on visual art from the postwar era to the present day; create and maintain optimal headquarters for the "lending library" of The Broad Art Foundation, which loans artworks from the collections assembled by Eli and Edythe Broad to museums around the world and provides access to those collections for scholarly study; and help create a vibrant cultural corridor on Grand Avenue in downtown Los Angeles.

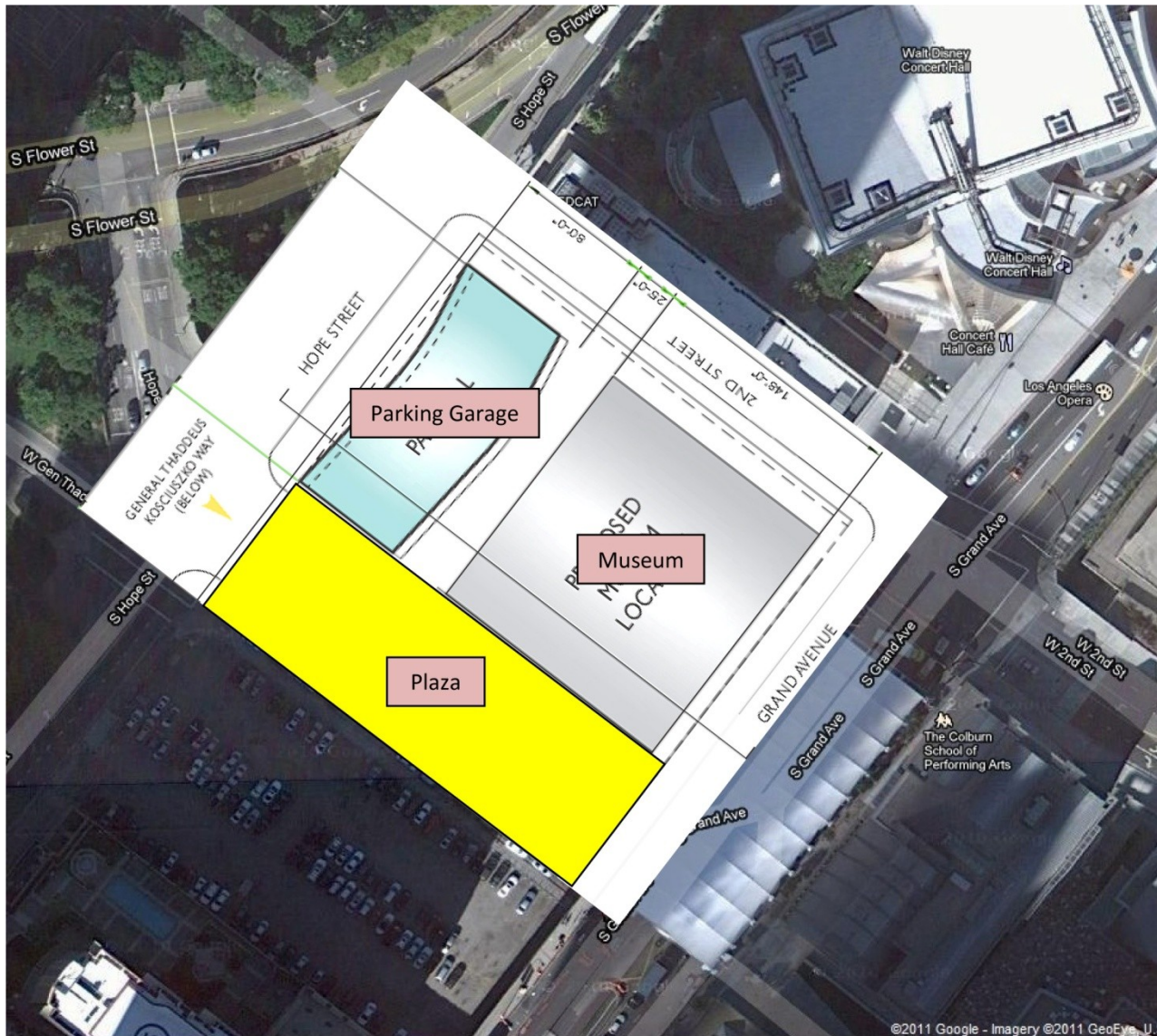
OTHER PROJECT DATA

PROJECT PERMIT STATUS	
Compliance with local land use and zoning	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO, Describe:
Local approvals and permits obtained (other than construction permit)?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO, Describe: The DDA Second Amendment will be considered by the County of Los Angeles for final approval on May 31, 2011, and is expected to be entered into by the parties following this approval.
TEFRA	
Date of TEFRA	April 25, 2011
Publications	<i>The Sacramento Bee</i> <i>Los Angeles Times</i>
Oral/Written Comments Received	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Borrower meets all of the I-Bank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. Project is in the State of California. 2. The Borrower is capable of meeting its obligations incurred under the proposed loan agreement and tax agreement, and, in particular as to its loan repayment obligations which secure the Bonds as reflected in an underlying rating of A3 given to the Borrower by Moody's or an underlying rating of A- given to the Borrower by S&P, and the representations of the Borrower that it will receive a pledge of revenues from The Broad Foundation prior to the issuance of the Bonds. 3. Payments to be made by the Borrower to the I-Bank under the proposed financing agreements are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the scheduled payments. 4. The proposed financing is appropriate for the Project. 5. Borrower has represented that the Project is consistent with any existing local or regional comprehensive plans.
INDUCEMENT CERTIFICATE	
Completed?	<input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date:

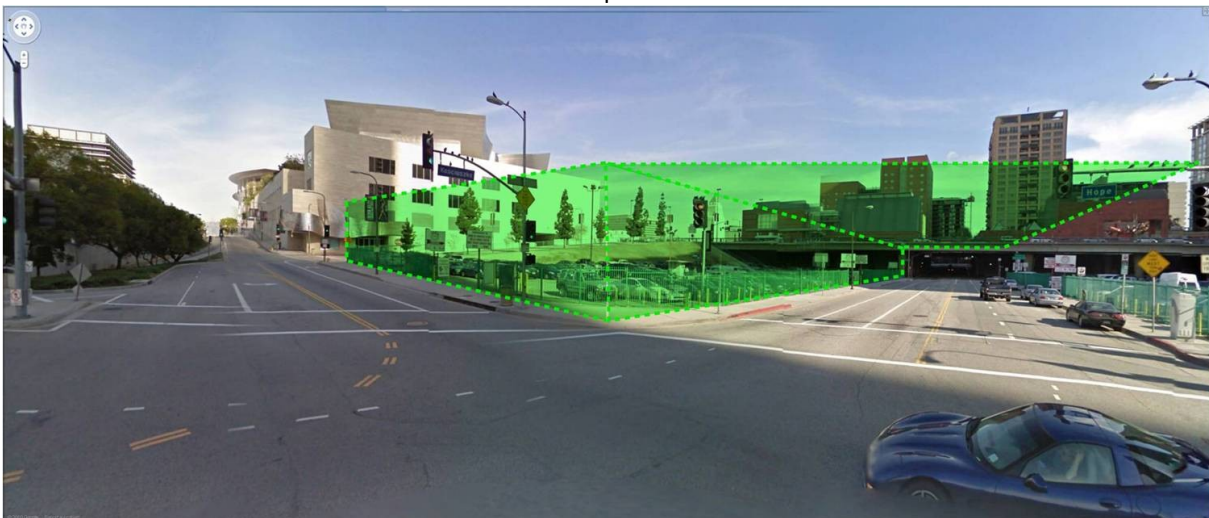
RECOMMENDATION

Staff recommends approval of Resolution 11-09 for an amount not to exceed \$150,000,000 for The Broad Collection.

APPENDIX A - PROJECT PICTURES



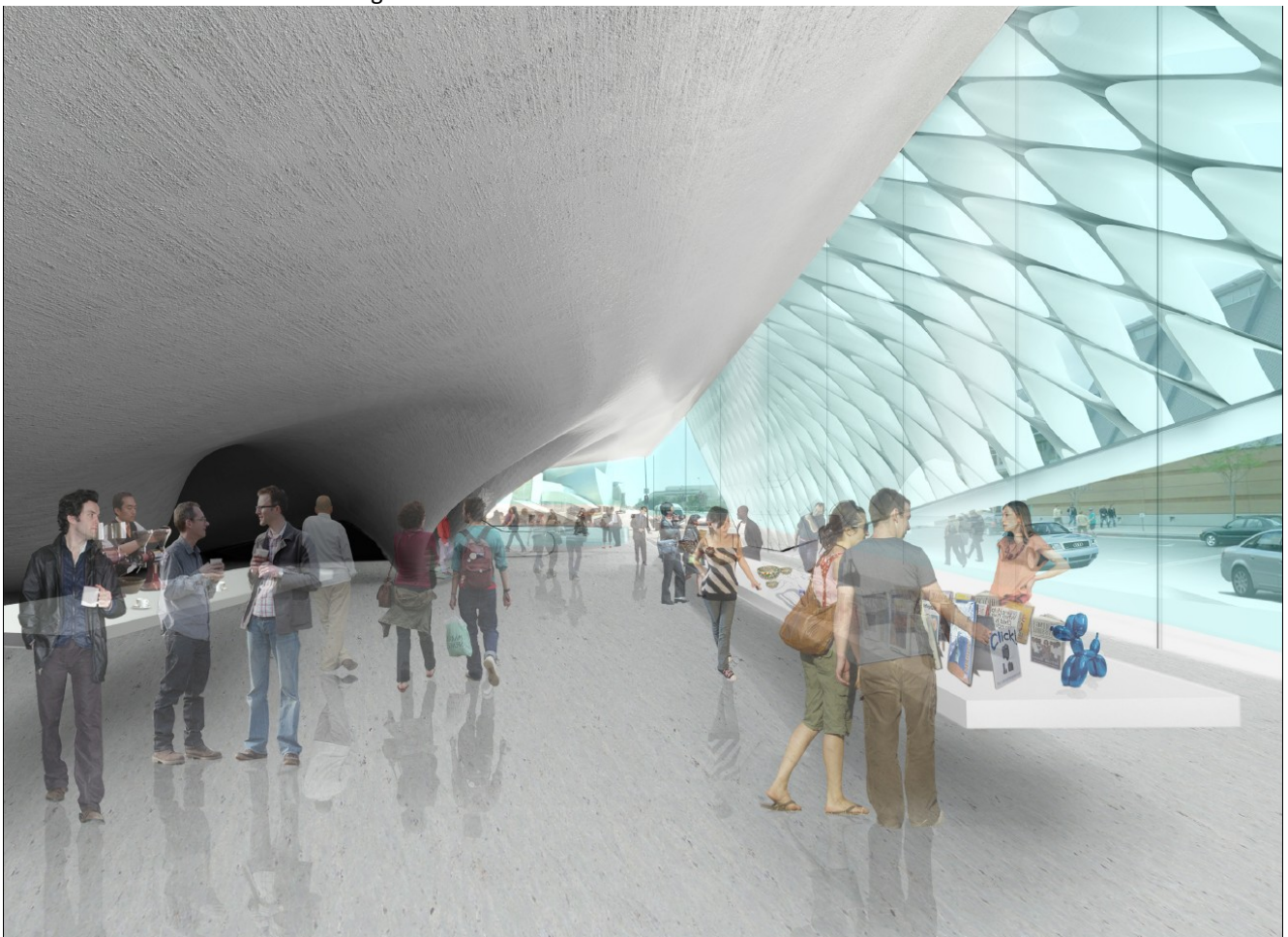
Site Plan and map of the location.



View from the corner of Hope Street and General Thaddeus Kosciuszko (GTK) Way.



Artist rendering of the museum from the corner of Grand Avenue and 2nd Street.





Artist rendering of the view from the pedestrian plaza at Grand Avenue and (above) GTK Way.



Current view of the site from upper Grand Avenue at GTK Way.